



External Quality Control Review

of the
Office of the City Auditor
City of San Antonio

Conducted in accordance with guidelines of the
**National Association of Local
Government Auditors**
for the period
August 1, 2001 through July 31, 2005



National Association of Local Government Auditors

August 12, 2005

Patricia M. Major, CPA, CIA, CTP, CGFM
City Auditor, Office of the City Auditor
City of San Antonio
Riverview Towers
Soledad at Commerce Street
111 Soledad, Suite 600
San Antonio, Texas 78205

Dear Ms. Major,

We have completed a peer review of the Office of the City Auditor for the period August 1, 2001 through July 31, 2005. In conducting our review, we followed the standards and guidelines contained in the *Peer Review Guide* published in May, 2004, by the National Association of Local Government Auditors (N.A.L.G.A.).

We reviewed the internal quality control system of your audit organization and conducted tests in order to determine if your internal quality control system operated to provide reasonable assurance of compliance with *Government Auditing Standards* issued by the Comptroller General of the United States. Due to variances in individual performance and judgment, compliance does not imply adherence to standards in every case, but does imply adherence in most situations.

Based on the results of our review, it is our opinion that the Office of the City Auditor's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* for audits and attestation engagements during the period of August 1, 2001 through July 31, 2005.

We have prepared a separate letter providing details of our findings and recommendations for strengthening your internal quality control system.

Jere Trudeau
Milwaukee County, WI

Sharon Kingsbury
City of Kansas City, MO

Sharon Meross
City of Portland, OR



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Patricia M. Major, CPA, CIA, CTP, CGFM
City Auditor, Office of the City Auditor
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San Antonio, Texas 78205

Dear Ms. Major,

We have completed a peer review of the Office of the City Auditor for the period August 1, 2001 through July 31, 2005, and issued our report thereon dated August 12, 2005. We are issuing this companion letter to offer certain observations and suggestions stemming from our peer review.

We would first like to mention some of the areas in which we believe your office excels:

- We were impressed by the quality of your staff, their obvious desire to excel in their new environment, and their enthusiasm toward doing their best on given assignments.
- It is evident that a great deal of thought and effort has been placed in updating your policies and procedures manual to reflect changes in both auditing standards and as well as office direction, especially in the area of electronic workpapers.
- Your decision to switch from conventional hard-copy workpapers to electronic workpapers is commendable. We could see from our review of your electronic workpapers and the related software that the system has excellent features to help provide for uniformity in performing audits.

The time period subject to this peer review has been one of considerable change, to say the least. There has been a complete turnover of all management and nearly all staff since the beginning of 2003. Because of this, we would like to focus our discussion on those issues that came to our attention on work performed since that time, and in which we believe corrective action can positively impact future operations. We offer the following observations and suggestions to help your organization comply with applicable *Government Auditing Standards*:

- The process called for in your policies and procedures relating to cross-referencing the report to the workpapers, as well as having someone not involved with the audit to independently verify report information prior to the issuance of final reports, has

not been routinely followed. We recognize that undocumented verification may have occurred, but would like to stress the need to ingrain this as a formal practice to be performed before any audits are issued. As you are aware, years of building credibility within city government as a reliable source of quality work can be instantly lost with the issuance of a report containing factual errors. We suggest that current procedures concerning cross referencing of reports to audit workpapers, and procedures concerning independent verification of report data, be performed and properly documented.

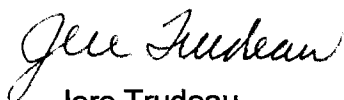
- Audit departments are often asked to provide nonaudit services in addition to audit reports. The General Accountability Office responded to this reality by providing guidance in such instances to allow nonaudit services to be performed as long as the two overarching principles concerning operational independence are followed. They are (1) audit organizations should not provide nonaudit services that involve performing management functions or making management decisions, and (2) audit organizations should not audit their own work or provide nonaudit services in situations in which the nonaudit services are significant/material to the subject matter of audits. Paragraphs 3.17 and 3.18 of the *Government Auditing Standards* provide practical guidance on how to address nonaudit services.

Prior to 2003, the Office of the City Auditor routinely provided nonaudit services. Since that time, it has not issued any reports that are nonaudit in nature. According to management, this has been the result of a conscious effort to issue only audit reports. Accordingly, the policies and procedures manual does not address the issue of nonaudit services or related steps to be followed with regards to nonaudit services in order to be in compliance with current *Government Auditing Standards*.

We are not rendering an opinion on the decision not to perform nonaudit services. We do, however, encourage your office to put itself in a position to readily comply with *Government Auditing Standards* if put in a position whereby such work needs to be done. Therefore, we suggest that the Office of the City Auditor implement policies and procedures to reflect the requirements of paragraphs 3.17 and 3.18 of *Government Auditing Standards*. Alternatively, if nonaudit services are not to be provided, we suggest that such a policy be formally stated in your policies and procedures.

We extend our thanks to you and your staff for the hospitality and cooperation extended to us during our review.

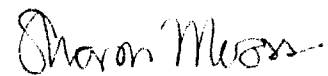
Sincerely,



Jere Trudeau
Milwaukee County, WI



Sharon Kingsbury
City of Kansas City, MO



Sharon Meross
City of Portland, OR



CITY OF SAN ANTONIO

P.O. BOX 83966
SAN ANTONIO, TEXAS 78283-3966

August 23, 2005

Mr. Jere Trudeau, Audit Manager
Milwaukee County Department of Audit
2711 W. Wells Street, 9th Floor
Milwaukee, Wisconsin 53208

Dear Mr. Trudeau:

The Office of the City Auditor submits the following comments in response to the external quality control review of our office.

I am pleased that the review team concluded that the City Auditor's Office complies with Government Auditing Standards. The audit staff has devoted a great deal of effort to developing and implementing an internal quality control system to help us achieve this goal. I am also extremely gratified that the auditors noted a number of areas where our office excels. These areas include:

- The overall quality of the audit staff.
- The development of a departmental procedure manual.
- The use of electronic workpapers to provide efficiency and uniformity in our work.

The management letter also included two suggestions to better demonstrate compliance with Generally Accepted Government Auditing Standards. We concur with your suggestions and will implement procedures for internal verification of report data and the performance of nonaudit services.

We thank you and the auditors, Sharon Kingsbury and Sharon Meross, for the professionalism, openness, and courtesy with which this audit was conducted.

Sincerely,

Patricia M. Major CPA, CIA, CTP, CGFM
City Auditor